

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00
CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06
OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 /099 W
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R 101830Z JAN 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 9319
INFO USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMCONSUL EDINBURGH

C O N F I D E N T I A L LONDON 00406

E.O. 11652: GDS
TAGS: ENRG UK
SUBJECT: NORTH SEA OIL: ESSO COMMENTS ON PARTICIPATION
AGREEMENT

REF: 76 LONDON 20715, 76 LONDON 20761, 76 LONDON 19781,
76 LONDON 18671

1. REID OF ESSO EUROPE TELLS US EXXON COULD NOT BE
HAPPIER WITH THE FINAL RESULT OF THE PARTICIPATION NEGOTIATIONS BUT IS SOMEWHAT UNCOMFORTABLE WITH PRESS COVERAGE DECLARING THAT SHELL/ESSO "SLEW THE DRAGON" SO TO SPEAK. THERE IS NO DISPOSITION TO CROW OVER FINANCIAL TIMES HEADLINES AND EDITORIAL PROCLAIMING THAT SHELL/ESSO "WIN THE RIGHT TO CONTROL NORTH SEA OIL SALES" UNDER AN "UNNECESSARY OIL DEAL."

2. REID BELIEVES SHELL/ESSO CAME OUT MUCH BETTER THAN EXPECTED AT THE END OF THE DAY BECAUSE OF A COMBINATION OF FACTORS: THEIR DETERMINATION TO TAKE A STRONG STAND; THE EMBASSY'S ASSISTANCE AT CRITICAL MOMENTS WITH HMG
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OFFICIALS AT VARIOUS LEVELS' AND THE PRESSURE OF TIME WHICH EVENTUALLY WORKED AGAINST RATHER THAN FOR SECSTATE FOR ENERGY TONY BENN.

3. REID COMPLIMENTED BENN HOWEVER FOR THE GRACIOUS WAY IN WHICH HE ACCEPTED AN OUTCOME FAR LESS FAVORABLE TO BNOC THAN ANTICIPATED EARLIER ON. HE MENTIONED SPECI-

FICALLY BENN'S ORAL ASSURANCE: TO THE COMPANIES THAT HE HAD NO INTENTION WHATSOEVER OF ALLOWING "SERGEANTS" IN THE DEPARTMENT OF ENERGY TO REFUSE SHELL/ESSO THE EXERCISE OF THEIR BUY BACK RIGHTS AS A ROUTINE MEANS OF EXERTING PRESSURE. ANY SUCH MOVE WOULD HAVE TO GO TO THE CABINET AND THE COMPANY BOARDS OF DIRECTORS SINCE IT WOULD BE, IN BENN'S VIEW, AN EXCEPTIONAL EVENT.

4. EXXON IS SATISFIED WITH THE MANNER IN WHICH THE ISSUE OF TRANSFER OF LICENSE TITLE WAS RESOLVED. WHILE NOT ACTUALLY CALLED A SUBLICENSE, THE AGREEMENT TO CARVE OUT THE RELEVANT OIL FIELD FROM THE REMAINDER OF THE LICENSE, TOGETHER WITH THE RETENTION OF ALL BENEFICIAL INTEREST BY THE COMPANIES, IS TANTAMOUNT TO THIS RESULT. SIMILARLY BNOC WILL HAVE NO VOTING RIGHTS WITH RESPECT TO UPSTREAM OPERATIONS EXCEPT WHERE THERE ARE A MULTIPLICITY OF PARTNERS, I.E. ADDITIONAL PARTIES BEYOND SHELL/ESSO AND BNOC, WHICH MAY BE OF MINIMAL IMPORTANCE IN ONE OR TWO SMALL FIELDS. REID WAS LESS HAPPY WITH THE RESIDUE OF POTENTIAL LEGAL PROBLEMS THAT MIGHT ARISE RESPECTING POSSIBLE CIRCUMVENTION OF THE ROME TREATY OR THE IEA AGREEMENT BY HMG.

5. FROM WHAT WE UNDERSTAND, MOBIL IS LIKELY TO USE THE SHELL/ESSO AGREEMENT AS THE PATTERN FOR WHAT IT HOPES TO ACCOMPLISH ON PARTICIPATION. WITH SHELL/ESSO AND BP ARRANGEMENTS PINNED DOWN. IT IS LIKELY MOST OF THE OTHER COMPANIES OPERATING IN THE NORTH SEA WILL REACH SIMILAR ALTHOUGH NOT NECESSARILY IDENTICAL UNDER-

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STANDINGS WITH HMG. AT THIS POINT, THE ONLY KNOWN HOLD OUT AMONG THE MAJOR OPERATORS IS AMOCO' WHICH REPORTEDLY COULD BE OMITTED FROM THE FIFTH ROUND LICENSING AWARDS AS A RESULT.

6. THE TEXT OF THE MEMORANDUM OF PRINCIPLES WHICH IS TO BE FURTHER ELABORATED IN THE FORM OF A LEGALLY BINDING AGREEMENT BY MARCH 31, 1977 WILL BE AIR POUCHED TO EB/ORF/FSE.

ARMSTRONG

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Message Attributes

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Copy: SINGLE
Sent Date: 10-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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